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COMPENSATION AS ENGINEERING DRIVE TO WORKERS PRODUCTIVITY IN NIGERIA

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ABSTRACT

Compensation is a global phenomenon used by productive and non-productive sector organization to reward their workers who have performed certain activities within a specified time. However, the study highlighted the views of scholars in such areas like Types of compensation, compensation system, components of compensation, seven factors affecting compensation and theories of compensation. In pursuance of its objective, the author through the central thesis critically posited views which are suggestive and conclusive that compensation is an engineering drive to workers performance vis-à-vis productivity in Nigeria.

KEYWORDS: *Compensation, Worker, Monetary Benefits, Absenteeism, Piece Wage.*

INTRODUCTION

In industrialized and unindustrialized society, people are hired or employed to perform certain activities ranging from political, to socio-economic. These people are due to be remunerated at the end of their job, be it hourly labour, monthly or yearly as the case may demand.

Thus an employee is spurred to increase his/her effort or productivity when such person is well remunerated or rewarded. No wander Okpata (2004) stated that the main purpose of incentives is to tie employee's rewards closely to those achievements, which is done by providing more compensation for better performance. He further asserted that whether or not an individual worker will strive for increased output or productivity and receive additional rewards that follow from the increased performance depends upon the individual for more money. Therefore compensation is the remuneration received by an employee in return for his/her contribution to the organization md. Ahadujjaman (2011). They stated further that it is an organized practice that involves balancing the work – employee relation by providing monetary and non – monetary benefits to employees. Also md. Ahadujjaman et al (2011) quoting Byars and Rue stated that compensation is a key factor in attracting and keeping the best employees and ensuring that the organizations has the competitive edge in an increasingly competitive world. Accordingly, compensation dissatisfaction can lead to absenteeism, turnover, job dissatisfaction, low performance strikes and grievances and majority of labour-management disputes relate to compensation (md. Ahadujjaman, et al 2011). This assertions from the authors (md. Ahadujjaman et al) coincide with what is happening in most public sector organizations especially at the level of Local Governments in Nigeria.

Nevertheless, productivity is an average measure of the efficiency of production. It can be expressed as the ratio of output to inputs in the production process that is output per unit of input (www.wikapedia.com). However, engineering as a concept was derived from latin ingenium, meaning "cleverness" and ingeniare, meaning "to contrive devise". It is the application of scientific, economics, social and practical knowledge into invent, design that build, maintain, research and improve structures, machines, devices, system, materials and processes (www.wikipedia.com). Based on some of these conceptual views among others, it is obvious that compensation is an engineering drive or otherwise motivator for workers productivity in developing and developed economy.

TYPES OF COMPENSATION

Compensation, according to md. Ahadujjaman et al (2011) can be of two types viz, Direct and individual compensation.

Direct Compensation:-

It is remuneration provided to employees in exchange for their labour and services. What makes it direct is that it is given to the employees without an intermediary. Therefore, under the direct compensation, there are two sub types of compensation; namely Pay and incentives. Thus pay consists of wages and salaries received for performing work. It can be base pay and merit pay based on job performance. Incentives are provided for higher performance. They can be piece wage, commission, bonus, profit sharing. Stock options etc.

Indirect Compensation:-

These are provided for the employees benefits, but are not given directly to the employee. Under indirect compensation, there are two types of compensation, viz, benefits, services and perquisites: however, indirect compensation includes leave policy, overtime policy, car policy, hospitalization, insurance, leave travel Assistance limits, retirement benefits and holiday homes.

COMPONENTS OF COMPENSATION SYSTEM

Compensation systems are designed keeping in minds the strategic goals and business objectives. It is designed equally on the basis of certain factors after analyzing the job work and responsibilities. Components of compensation systems according to md. Ahadujjaman et al (2011) are as follows,

Job analysis, pay structure and salary surveys.

Despite these components of compensation system there are various components of compensation which are mentioned as basic wages/salaries, dearness allowance, the payment 2 dearness allowance facilitates employees and corners to face the price increase or inflation of prices of goods and services consumed by him. Bonus, commission, mixed plans, price rate wages,

Sign on Business and profit sharing payments. However, there are seven (7) factors affecting compensation. These factors are

1. **Productivity of workers:-**
   This factor is of the opinion that to get the best results from the employees and to increase the productivity compensation has to be productivity based.
2. **Ability to pay:-**
   It depends upon the employee ability to pay wages to the workers. This depends upon the profitability of the firm. If the firm is marginal and can't afford to pay higher than the competitors then the employees will go to other firms, while if the company is successful, then they can easily pay their employees as they wish.
3. **Government:-**
   Government has also fixed the rules for protecting the interest of the employees. Moreover the organizations are liable to pay as per the government instructions. Wages cannot be fixed below the level prescribed by the government.
4. **Labour Union:-**
   Labour union also help in paying better wages to the workers. Higher wages have to be paid by the firm to its workers under the pressure of the trade unions.
5. **Cost of living:-**
   Wages depends upon the cost of living, if it is high, wages are also high.
6. **Demand and supply of labour:-**
   It is one of the importance factors affecting wages. If the demand of labour is more they will be paid high wages otherwise vice versa. If the supply of the employees is more than they will be paid less and vice versa.
7. **Prevailing wages rate:-**
   wages also depends upon prevailing wage rate as the organizations have to pay accordingly to keep the employees with them (http://managementation.com/7-factor-affecting-compensation.In order to gain proper insight of compensation, it is relevant to briefly highlight on the theories of compensation.

THEORIES OF COMPENSATION:

Some of these models or theories are Equity, reinforcement and expectancy theories, Agency theory.

Equity Theory: This suggests that employee perception of what they contribute to the organization, what they get in return, and how their return – contribution ratio compares to others inside and outside the organization, determines how fair they perceive their employment relationship to be. Md. Ahadujjamanental (2011) quoting Adams (1963). Therefore, perception of inequity are expected to cause employees to take actions to restore equity. Unfortunately some of such actions (e.g. quitting or lack of cooperation) may not be helpful to the organizations.

Reinforcement and Expectancy theory: Reinforcement theory states that a response followed by a reward is more likely to occur in the future (Thorndike's law of Effect in md. Ahadujjaman et al (2011). He further asserted that the implication for compensation management is that high employee performance followed by a monthly reward will make future high performance more likely. However expectancy theory according to Vrrom, (1964) cited in Md. Ahadujjaman et al (2011) focuses on the link between rewards and behaviours (instrumentality perceptions), although it emphasizes expected (rather than experienced) rewards (that is incentives). Motivation according to the authors is also a function of two other factors: expectancy, the perceived link between effort and performance, and valence, the expected value of outcomes (e.g rewards). Thus compensation systems differ according to their impacts on these motivational components.

Agency theory: Agency theory until recently best known in economics, finance and law literatures, focuses on the divergent interests and goals of the organizations stakeholders and the ways that employee compensation can be used to align these interest and goals Eisenhardt, 1989, Fama and Jensen, 1983 cited in md.Ahadujjaman et al 2011 ownership and management (or controls) are typically separate in the modern cooperation, unlike the days when the owners and managers was often the same person. Therefore, with most stakeholders far removed from day –to-day operations, so called agency costs, that is costs that arise from the interest of the principlas/owners and their agents/managers not converging are created. In that respect, what is best for the agent/manager may not be best for the owner. Agency theory also says that the principal must choose a contracting scheme that helps align the interests of the agent with the principal's own interests that is reduces agency costs. These contracts according to md.Ahadujjaman et al (2011) can be classified as either behaviour oriented (eg, stock options, profit sharing, commissions). Some of these theories mentioned here could assist in analyzing the growing relevance of impersonation as an engineering drive towards workers productivity in both public and private sector organizations

COMPENSATION AS ENGINEERING DRIVE TO WORKERS PRODUCTIVITY IN NIGERIA

The employee vibrancy in input, output oriented organization is much more dependent on the reward system or compensation generated, either in public or private sector. The compensation or reward given to employees for doing work is high, it is expected that such employees would be engineeringly driven for more productivity, contrarily.

If the same workers are paid low wage or compensated for performing the same work they will be engineered to poor productivity in an output oriented organization (be it public or private sector organizations).

For instance, the incessant strikes over some years by labour unions regarding low income pay to workers by government of Nigeria is a point of reference that compensation engineer workers to strive in increasing their productivity. Also, it helps to limit conflicts between the workers and government when wages and salary are well paid to the workers. That may suggest the rationale behind (Okpata 2004 cited in Agbonifoh et al) the views of the authors when they asserted that administration of wages and salary concern determination of the money value of the various jobs performed in an organization as well as methods by which such money may be paid in order to increase employee commitment, motivation and productivity. He further stated that employee we know, exchange work for reward and the most obvious reward is money. In addition the objectives of wages and salary administration or compensation are to design the lowest-cost pay structure that will attract, motivate and retain competent employees and this pay structures will be perceived as fair by the employees.

Although there is high rate of unemployment in this country (Nigeria) but low cost pay structure cannot influence attraction of employees, if the remuneration is poor. After all the migration of workers from low structured system of compensation to high one is part of the problem in Nigeria's productive and non productive sector. The propensity of quest of employed – and non employed workers in search of oil companies job in Nigeria is high, not because it is the only factory or organization within the polity, but because of the rewards or compensation paid to their workers are high, (direct and indirect compensation). As a result the productivity line of such workers would be high in the oil industry. Even some Nigerians go to USA, Britain, China etc because of the level of compensation that is high in such countries. However or perhaps many variables can be adduced to compensation being an engineering drive to productivity of workers in productive labour. Such variables may include; management policies and decision processes, disposition of mental, social and physical state of the workers, good incentives to workers, channels of communication between the supra-ordinate and sub-ordinate, interpersonal relationship between high and low income workers in an organization etc. it is noteworthy that these variables could inter-play to yield minimum, if not maximum engineering drive for productivity. Consequently, poor compensation breeds absenteeism, truancy, lousiness gossips, rumor, distrust, castigation and even coup de-ta against management (through labour unions), while rich compensation will engender the contrary.

In whatever way compensation is viewed, it is still seen as element of enhancement or engineering drive employed by organizations for overall productivity in Nigeria.

CONCLUSION

It is agitative to note that the pay income (or compensation) received by average Nigerian worker is ridiculous, comparatively with other African Countries, particularly in South Africa. Yet we say that we are giant of Africa. How can we be giant in a low driven compensation economy, where conflicts and counter conflicts between labour unions and government are the order of the day?

Therefore the study concludes that compensation in productive economy can serve as an engineering drive to employee's performance vis- a -vis productivity in Nigeria.

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